

Chapter 13 - Grant Accounting

INTRODUCTION

A significant portion of the funding of the operations of local governments is often received from either the federal or state governments. The proper accounting for these funding sources is a critical component of any accounting system and has been given special emphasis in R★STARS. Grants are unique cost pools which require accounting without regard to other elements of the classification structure and which frequently span multiple accounting periods.

In R★STARS, these special requirements are met through the use of the Grant Accounting and Grant/Project Billing components. These components provide the ability to control, report, and bill costs and can be used for:

- **Federal Grants** — which are received from the federal government.
- **State Grants** — which are received from the state government.
- **Other Grants** — which typically receive funding from local governments or other organizations.

R★STARS accounts for each of these grant types in the same manner; all system capabilities are available for each type.

This chapter describes the grant accounting and billing capabilities available in R★STARS.

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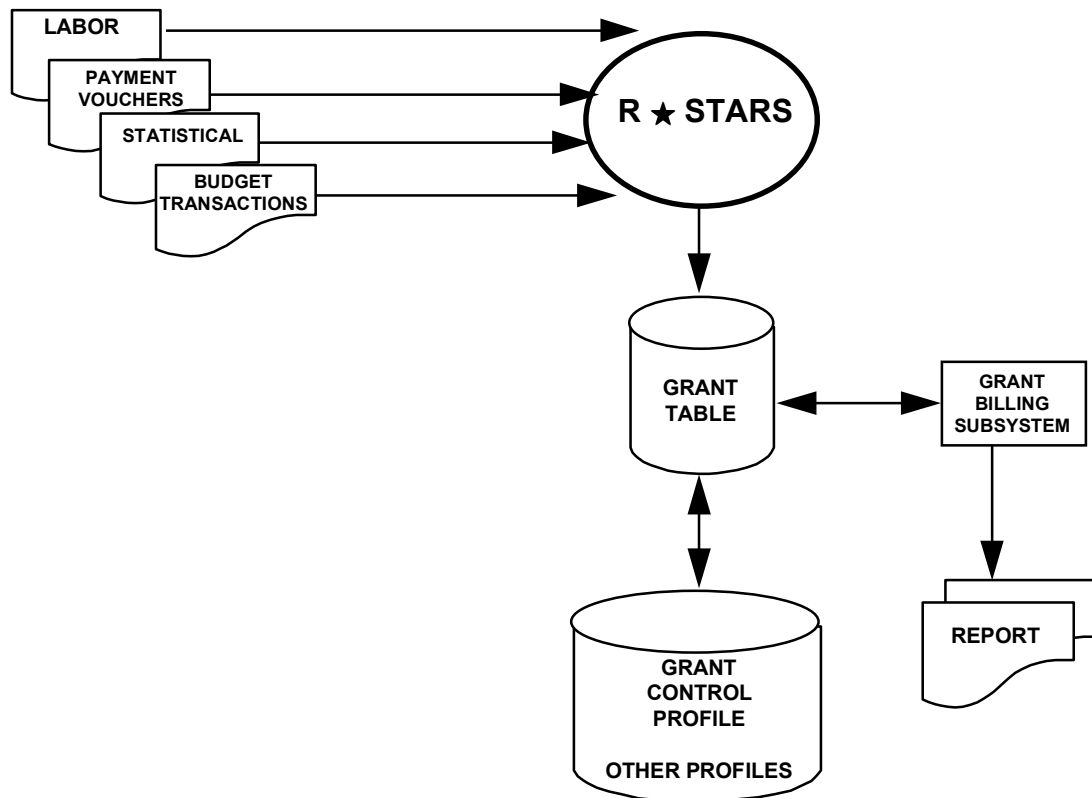
13.1 GRANT ACCOUNTING OVERVIEW

The Grant Subsystem of R★STARS provides unique capabilities for tracking grant-related financial and statistical information and reporting billing transactions. This section describes these capabilities and is divided into the following topics:

- Grant Accounting Capabilities
- Subgrant Accounting Capabilities
- Grant Budgeting Capabilities
- Grant Billing Capabilities
- Grant-Related Profiles

Below is an illustration of the flow of grant-related data in R★STARS.

GRANT ACCOUNTING OVERVIEW



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Many of the R★STARS project accounting and billing capabilities are also available for grants. In fact, these two subsystems were designed to pattern each other for ease in implementing projects and grants in concert with one another. Even though there are direct similarities, this chapter has been written to provide a full guide to understanding the grant accounting and billing capabilities. Therefore, some of the information included in the R★STARS Reference Manual, Chapter 12, "Project Accounting," is again included in this chapter. This will facilitate utilization of the Grant/Project Billing Subsystem by those agencies which will not be establishing projects in R★STARS.

Grant Accounting Capabilities

Grant expenditure, revenue, receipt, budget and statistical information is accumulated in R★STARS through the use of a Grant Number, Grant Phase and Agency Code 1. These elements are independent of the other classification structures (i.e., fund, program and organization) in R★STARS. Furthermore, the accumulation of grant information may span unique accounting periods ranging from a few days to many years.

The grant accounting process is designed to accumulate cost information and support the grant billing function. Several capabilities are required to perform these functions. They are:

- Uniquely identify grants, grant phases and agency code 1.
- Provide the ability to define a unique grantor fiscal year such as Federal fiscal year.
- Provide the ability to define a relationship between grants and projects to reduce input coding on financial transactions **(not used in Michigan)**.
- Provide the ability to define a relationship between grants and SUBGRANTEES (Not used in Michigan).
- Provide cash availability controls over grant expenditures and advances which may be fatal, warning, or ignore.
- Maintain general ledgers by grant, grant phase and agency code 1.
- Provide billable and expendable budgets by grant, grant phase and agency code 1.
- Account for disbursements to and expenditures by subgrantees **(not used in Michigan)**.
- Generate grant billing and reports.

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- Provide conversion of R★STARS object structure to grantor's unique structure.
- Provide titles for grants as well as grant phases and agency code 1.

The grant number, grant phase and agency code 1 elements are established in the Grant Control profile which defines how costs are accumulated and how grants are billed. The Grant Control profile is defined by Agency which increases flexibility in grant accounting.

Grants are identified within R★STARS by the Grant Type Indicator which is systemwide defined. Any of the grant types may be used to accumulate expenditures, revenues, budgets and statistical information. In addition, each grant may be defined as billable. (Grant billing is discussed in more detail in Section 13-6.)

One of the critical requirements in accounting for grants is the ability to accumulate financial activity for periods other than the typical fiscal year. These periods may be, but are not limited to, one of the following:

- Federal fiscal year
- State fiscal year
- Partial year
- Multiple years

In R★STARS, the use of the grant phase provides the ability to account for these time frames. For example, a grant which is awarded in annual installments over federal fiscal year periods may be assigned different grant phases for each federal fiscal year, such as Phases 92, 93 and 94. This facilitates not only the reporting of financial activity by federal fiscal year, but also enables the Grant Number to remain constant; the users need only to code different Phases on grant-related transactions.

Once a grant has been established, there are several ways that the grant number, phase and agency code 1 may be captured on accounting transactions. These methods include:

- Enter the grant number, phase and agency code 1 directly on the accounting transaction.
- Store the grant number, phase and agency code 1 in the Index Code profile where it will be looked-up whenever the index code is entered.
- Store the grant number, phase and agency code 1 in the Program Cost Account profile to be looked-up whenever the PCA is entered.

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- Store the grant number, phase and agency code 1 in a Project Control profile where it will be looked-up whenever the Project code is entered or retrieved from another file.
- Store the grant number, phase and agency code 1 in a Subgrantee Control profile **(not used in Michigan)** where it will be looked-up whenever the subgrantee code is entered or retrieved from another profile.

These options provide coding reduction techniques for each agency. However, agencies should select a single method which is applied consistently to reduce confusion and increase overall accuracy.

When the grant number, phase and agency code 1 are coded or looked-up on accounting transactions, the financial or statistical data is recorded in the Grant Table. This data includes expenditures, encumbrances, revenues, accounts receivable, labor hours, machine units, budgets and so on. Regardless of the grant type selected, the actual amount (financial or statistical) entered on the transaction is recorded in the Grant Financial Table. This data is then accessed by R★STARS to generate reports, calculate billing transactions and provide budgetary control if desired.

Grant-related financial activity may also be recorded in the General Ledger file to enable the generation of trial balances and other summary level financial statements by grant phase and agency code 1. This capability may be selected through the use of one of the indicators in the Grant Control profile. When utilizing this feature, it is important that the grant be fully accounted for within R★STARS. That is, all grant-related activity must be coded with the appropriate grant number, phase and agency code 1. Without a full accounting within the system, General Ledger file reports will be misstated.

Another feature of R★STARS is the ability to convert the R★STARS Comptroller and/or Agency Object structure to a unique grantor structure for reporting purposes. For example, individual expenditure objects or combinations of objects may be defined to a “grant object” code which represents the classification required for reporting expenditures to the grantor. A special report may be requested which sorts the grant expenditures into these specifically defined grant object codes. This is an optional feature available through the use of a Grant Object profile. The conversion may be agency-wide or for individual grants.

Some grants may actually be pass-through grants which are received and then awarded to other agencies, subgrantees or subcontractors. The grant amounts passed through are known as subgrants. The specific utilization of the grant/subgrantee structure in R★STARS depends on the individual needs of the agency.

Subgrant Accounting Capabilities (Not used in Michigan)

Other agencies, localities and the like who receive portions of pass-through grants are referred to as “subgrantees,” or, in some cases, “subcontractors.” A common requirement for governments receiving these pass-through grants is to account for the advances made to subgrantees and the expenditures made by subgrantees. R★STARS can meet these requirements through the use of the subgrantee and project accounting capabilities and special transaction codes.

Subgrantees are established in R★STARS with a unique Subgrantee ID in the Subgrantee Control profile. This Subgrantee ID looks-up the related Grant Number/Phase to enable the recording of financial activity against the grant whenever subgrant activity is recorded. Once established, contract awards (sometimes referred to as allocations), billable budgets, and advances may be recorded for the subgrant. Subgrantee expenditures may also be recorded as memorandum amounts in R★STARS as well as subgrantee type. Examples of subgrantee type are federal, state, private, local, contract, gift and other.

A combination of these features enables the complete accounting for subgrant activity within the system.

The subgrantee accounting component of R★STARS will not be used in Michigan. Other capabilities for organization, grant and contract accounting will provide this feature.

Grant Budgeting Capabilities

R★STARS provides two types of budgetary control over grants: Expendable and billable budgets. These budgetary controls may be selected on a phase-by-phase basis, the grant level or at the agency code 1 level.

Expendable budgets can be established for a grant at varying levels of detail and are used to control expenditures and encumbrances charged to the grant. If the expenditure or encumbrance causes the grant expendable budget to be overspent, the user has the option of having the transaction reject, post with a warning error, or to ignore the violation completely.

The second type of budgets, billable budgets, are used to control the amount of expenditures which are available for billing. The automated R★STARS billing process (described in Section 13-6) will only report amounts available for billing up to the amount of the billable budget. In addition, billable budgets may be used to limit the type of expenditures available for billing. For example, if only service and supply costs are considered billable, a budget may be entered to so indicate. These budgets may also be entered at varying levels of detail, such as grant and grant phase or by expenditure object or agency code 1 within grant or grant phase.

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There are 32 possible grant budget posting combinations. They are represented by the following matrix:

Key on the Grant Control Profile	No Fund No Object	Comp Object	Agency Object	Grant Object	Fund No Object	Fund and Comp Object	Fund and Agency Object	Fund and Grant Object
Grant	0 N Blank	1 N Blank	2 N Blank	3 N Blank	A N Blank	B N Blank	C N Blank	D N Blank
Grant and Phase	0 Y Blank	1 Y Blank	2 Y Blank	3 Y Blank	A Y Blank	B Y Blank	C Y Blank	D Y Blank
Grant Phase and Agency Code 1	0 Y In D26	1 Y In D26	2 Y In D26	3 Y In D26	A Y In D26	B Y In D26	C Y In D26	D Y In D26
Grant and Agency Code 1	0 N In D26	1 N In D26	2 N In D26	3 N In D26	A N In D26	B N In D26	C N In D26	D N In D26

The first value in each cell represents the Expenditure and Revenue Posting Level Indicators on the Grant Control Profile (29).

The second value in each cell represents the Grant Phase Budget Level Indicator on the Grant Number Profile (D47).

The third value indicates whether the key to the Grant Control Profile(s) for the grant contain(s) an Agency Code 1 value (in D26) or is blank.

Whenever utilizing the grant budgeting options, the budgets must be entered through the standard data entry procedure. If the options are selected and the budgets are not entered, the system will consider the budget amount to be zero and, thus, reject expenditure transactions and/or prevent billing amounts from being reported.

Both billable and expendable budgets, if utilized, must be entered at the same level as the Expenditure Posting Level Indicator in the Grant Control profile.

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Billable budgets may be entered for Billing Methods:

- **3 — Standard Cost per Unit to Budget** — at phase level only.
- **4 — Standard Percentage to Budget** — at any level, as long as the budget is posted at the same level as expenditures are posted to the file.
- **6 — Actual Cost to Budget** — same as Billing Method 4.

Billable budgets must be entered at the same level as the Expenditure Object Posting Level Indicator (except for Billing Method 3 which must be entered at the phase level regardless of the Expenditure Object Posting Level Indicator).

Billable budgets may be used to limit billings to certain portions of the object structure. For example, billable budgets may be entered for Comptroller Objects A, B, and C but not for Comptroller Objects D, E, and F. Only costs charged to A, B, and C will be billed.

Expendable budgets must be entered at the same level as the Expenditure Object Posting Level Indicator: At phase, object, comptroller object, agency object, or agency code 1 Level. The Budget Control Type Indicator determines the severity of the control: Fatal, warning, or ignore.

Grant Billing Capabilities (Forthcoming with Release 98-2)

The billing capabilities in R★STARS may be selected on a Grant Phase-by-Phase basis and include two primary options. These options are:

- **Cycle Selection** — billing transactions may be calculated at the end of each month, on specific dates, or other cycles such as quarterly and so on. These values are:
 - 0** — Grant not billed
 - 1** — Automatic during month close
 - 2** — Automatic by date
- **Billing Method** — bills may be calculated with or without regard to billable budgets and may be calculated using actual costs, standard percentages or standard costs per unit.

The Grant/Project Billing Request profile provides the ability to generate detailed billing reports (proof lists) and generate billing transactions for grants and projects which are not scheduled to be billed on specific dates (billing schedules are defined in the Grant Control and Project Control profiles). Once the Grant/Project Billing Request profile record is set up for each agency, it contains the following elements:

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- **Fiscal Period** — identifies the accounting period to be billed. The values are:
 - Current month
 - Prior month
- **Bill Cycle Selections** — identifies the projects to be billed based on dates entered in the Project and Grant Control profiles.
- **Transaction Indicator** — tells the system to either generate a proof list of the billing transactions or to generate the actual billing transactions.
- **Exclude/Include Fields** — provides the ability to identify specific Grants and Projects to exclude from the proof lists (P) or billings (G) or, conversely, to specifically include Grants and Projects whose billing dates are not included in the Bill Cycle Selections entered.

Billing transactions have the following accounting impact:

DR — Accounts Receivable

CR — Revenue

The classification elements recorded on the transactions are defined in the recovery segment of the Grant Control profile.

Grant-Related Profiles

The grant accounting and billing process is controlled by a series of indicators and data elements stored in system profiles and financial data recorded in system tables. These profiles and tables include:

- Grantor Profile (D28)
- Grant Type Profile (D35)
- Grant Category Profile (D40)
- Grant Control Profile (29)
- Grant Number Profile (D47)
- Grant Object Profile (D48)
- Grant/Project Billing Request Profile (**forthcoming w/Release 98-2**)
- Subgrantee Control Profile (**not used in Michigan**)
- Grant Financial Table
- Agency Code 1 Profile (D26)

The functions of each of these profiles in the grant accounting and billing process are discussed in the following paragraphs.

Grantor Profile

This profile is systemwide defined and defines the grantor ID and the associated name and address for grant reporting purposes.

Grant Type Profile

This profile defines the grant type and associates a title, effective start date and effective end date.

Grant Category Profile

This profile defines the grant category, typically the Catalog of Federal Direct Assistance (CFDA) number, and the associated title used for grant reporting purposes. It is a required element for federal grants and optional for all others.

Grant Control Profile

The Grant Control profile provides substantial flexibility in the methodology used to identify and account for grants in R★STARS. To provide this flexibility, the Grant Control profile maintains a variety of information regarding each individual grant phase. Grant type, billing method, posting indicators, control dates and a number of other classification elements are maintained for each grant.

The format of the Grant Control profile is divided into several segments: Control key, information elements, indicators, billing information, and recovery information. The following paragraphs provide a description of the data segments maintained in the Grant Control profile.

- **Grant Identification** — these elements include the grant number, grant phase, agency code 1, and look up elements used to reduce coding on grant-related transactions. Start and End dates are included to open and close the grant for posting financial transactions.
- **Indicators** — this segment defines the levels used to post financial information to the Grant profile and includes other posting and control information.
- **Billing Information** — these elements define if, how and when the grant will be billed. The billing method, billing cycle and schedule dates (in MMDD format) are included, along with a range and rate which are required for certain billing methods. Three Yes/No indicators are provided to allow the user to indicate whether billing computation is based on soft match, in kind, or memo entries.

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- **Recovery Segment** — the elements in this segment define the recovery transaction which is printed on the billing detail report. Included are the transaction code and classification elements used to record accounts receivable transactions.

Control Key

The Grant Control profile control key uniquely identifies each Grant Control profile record. The control key includes an agency, grant number, grant phase, and agency code 1. The agency number identifies the agency responsible for the particular grant. The grant number identifies each grant, and the phase identifies a unique time period such as federal fiscal year. Agency Code 1 indicates grant task level budgetary, billing, or tracking control.

Information Elements

The information elements in the Grant Control profile include:

- **Title** — allows up to 40 characters to enter a grant phase title.
- **Geographic Code** — if entered, the two digit geographic code signifies the location of the Grant, and must be defined in the D53 Titles profile with a Table ID of “CAGC.”
- **Letter of Credit Number** — if entered, the 10 character letter of credit number identifies an existing letter of credit.
- **Project Number and Phase** — identifies a Project/Phase to the grant which is looked-up and posted whenever the Grant/Phase/Agency Code 1 is entered.
- **Agency Code 2** — identifies budgeting, billing, or tracking control for a project at the task level.

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Indicators

Budgetary control and cash control may be exercised over certain types of grants and general ledgers may be maintained for grants. Several indicators are contained in the Grant Control profile to control these processes as follows:

- **Expenditure Posting Level Indicator** — which identifies the level of detail to be used when posting expenditure data to the Grant Financial Table. The values are:
 - 0 — No Fund or Object
 - 1 — Comptroller Object
 - 2 — Agency Object
 - 3 — Grant Object
 - A — Fund, No Object
 - B — Fund and Comptroller Object
 - C — Fund and Agency Object
 - D — Fund and Grant Object
- **Revenue Posting Level Indicator** — which identifies the level of detail at which revenue data will be tracked in the Grant Financial Table. The values are:

0 — No Fund or Object	A — Fund, No Object
1 — Comptroller Object	B — Fund and Comptroller Object
2 — Agency Object	C — Fund and Agency Object
3 — Grant Object	D — Fund and Grant Object
- **Grant Control Type Indicator** — which identifies whether fatal, warning or ignore control should be exercised over the available grant expendable budget.
- **Cash Control Posting Indicator** — which identifies whether control over expenditures and encumbrances against the available cash balance is to be performed. The valid values are:
 - Y — Yes, exercise cash control for the Grant Phase.
 - N — No, do not exercise cash control for the Grant Phase.
- **Cash Control Type Indicator** — which identifies the severity of cash control performed, if any. Options are:
 - 0 — No cash control.
 - 1 — Fatal control (over expenditures of cash will be posted to the Error profile).
 - 2 — Warning control (over expenditures of cash will post to the financial profiles, but will be reported with warning messages).
- **Service Date Control Indicator** — the one character Service Date Control indicator determines the following:

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Y — Yes, service dates of transactions must occur prior to the final post date defined in this profile

N — No, service dates of transactions are not controlled against the final post date

- **Grant Object Indicator** — the Grant Object indicator determines which objects on the Grant Object profile (D48) will be used to post transactions to the Grant Financial Table. This indicator is only required if Agency Object has been selected on the Exp or Rev Post Level Indicators (options “3” or “D”). Valid values include:

A — Agency Object Range only

B — Comptroller and Agency Object Range

C — Comptroller Object only

Blank — Field must be blank (Exp or Rev Post Level Ind not set to “3” or “D”)

- **Contractor/Sfx** — the optional 10 character vendor ID number and three digit mail code identify the primary contractor associated with this grant. If entered, the vendor number must be defined in the 51 Vendor Mail Code profile or the 34 Agency Vendor profile.

Billing Information

This portion of the profile is used to determine if, how and when billing transactions for grants will be generated. The elements contained in the billing data segment include:

- **Method** — determines the method used by the Grant Billing subsystem to calculate the amount to be billed. Values are as follows:
 - 0 — Grant Not Billed** — which is used for grants not requiring billing detailed reports. Recovery segment should be blank.
 - 1 — Standard Cost Per Unit** — billings are calculated by multiplying the standard billing rate entered in the Grant Control profile by the total units posted grant-to-date by special transaction code and subtracting previously billed amounts and advances.
 - 2 — Standard Percentage** — billings are calculated by multiplying the standard billing percentage entered in the Grant Control profile by total grant-to-date expenditures and subtracting previously billed amounts and advances.
 - 3 — Standard Cost Per Unit to Budget** — billings are calculated by multiplying the standard rate from the Grant Control profile times the grant-to-date units. This method then bills the lower of the calculated bill less previously billed amounts or the billable budget less previously billed amounts and advances.

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- 4 — Standard Percentage to Budget** — billings are calculated by multiplying the standard percentage from the Grant Control profile times grant to-date expenditures. This method then bills the lower of the calculated bill less previously bill amounts or the billable budget less previously billed amounts and advances.
- 5 — Actual** — billings are generated for the actual expenditures grant-to-date less previously billed amounts and advances.
- 6 — Actual to budget** — bills the lower of the billable budget less previously billed amounts or actual expenditures less previously billed amounts and advances.
- 7 — Auto Bill** — billings are selected that are final approved and charged to a grant for daily CMIA (Cash Management Information Act) processing. If the grant category is subject to CMIA, then billing method must = 7 and LOC (Line of Credit) number is required on the D47 Grant Number profile and CMIA Type and Average Days Clearance are required on the D40 Grant Category profile.
- **Cycle** — indicates the frequency which the grant should be billed. The values are:
- 0** — Grant not billed
 - 1** — Automatic during month close
 - 2** — Automatic by date
- If a Billing Cycle of “2” is selected, the specific dates to automatically bill must be entered into the date fields.
- **MMDD** — enter up to four dates (MMDD or DD) or leave blank. At least one field is required when the Bill-Cycle equals “2.” These fields allow up to four specific billing dates for a grant, by entering a month and a day (MMDD) for billing on a month and a day (MMDD) for billing on certain date(s), or just a day (DD) for monthly or weekly billing. Examples:

	<u>MMDD1</u>	<u>MMDD2</u>	<u>MMDD3</u>	<u>MMDD4</u>
Specific Date	0928			
Weekly	07	14	21	28
Monthly	15			
Quarterly	0701	1001	0101	0401

Valid MM values are 01 through 12.

Valid DD values are 01 through 31.

- **Range Low Object** — enter the six digit low object.
- **High Object** — enter the six digit high object.

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For Billing Methods “1” and “3,” this range identifies the statistical units (such as miles) to which to apply a Standard Rate. The LOW and high objects are required. These objects must be in the D10, D11, or D48 profiles.

For Billing Methods “2” and “4,” this range identifies the objects which are to be billed using Standard Percentage Methods. The objects are optional. If entered must exist in the D10, D11 or D48 profiles.

For Billing Methods “5” and “6,” this range is optional and identifies the objects which should be billed. If utilized, the range must equal the level of the objects in the Expenditure Object Level Indicator.

- **Rate** — The rate is required if method equals “1,” “2,” “3,” or “4.” It is not allowed if the method is “0,” “5,” “6,” or “7.” The rate is used to compute Standard Cost Per Unit which is used in Billing Method “1” or “3” or the Standard Percentage which is used in Billing Methods “2” or “4.”

- **Billing Computation** — three yes/no indicators are provided to allow the user to indicate whether billing computation is based on soft match, in kind, or memo entries.

Recovery Information

This portion of the Grant Control profile includes the data to be used when building the transaction to record the revenue and accounts receivable for grant claims. For billable grants, the following recovery data must be coded: Current document number and suffix, transaction code, index, PCA, comptroller or agency object and description. The recovery information should be left blank if billing methods “0” or “7” are chosen.

Grant Number Profile

The D47 profile establishes the agency defined grant number and the associated title for grant reporting purposes. Budgeting by grant phase in the Grant Financial Table is determined through this profile. The agency budget indicator determines the posting of grant information (no grant, grant or grant and phase) to the Agency Budget Financial Table.

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Grant Object Profile

The D48 Grant Object profile is an optional profile which provides the ability to report R★STARS expenditure object classifications according to a unique grant object coding scheme. The following example illustrates:

<u>From</u> <u>CObj/AObj</u>	<u>To</u> <u>CObj/AObj</u>	<u>Grant</u> <u>Object</u>	<u>Description</u>
1184/1185	1193/1185	142130	Salaries and Wages
1194/	1199/	144730	Employee Benefits
2001/	2010/	122760	Services & Supplies

Grant/Project Billing Request Profile

The 92 Grant/Project Billing Request profile provides the ability to generate detailed billing reports (proof lists) and generate billing transactions for grants and projects which are not scheduled to be billed on specific dates (billing schedules are defined in the grant control and Project Control profiles). One Grant/Project Billing Request profile record is set up for each agency. This record contains the following elements:

- **Fiscal Period** — identifies the accounting period to be billed. The values are:
 - Current Month
 - Prior Month
- **Bill Cycle Selections** — identifies the grants and projects to be billed based on dates entered in the Control profiles.
- **Transaction Indicator** — tells the system to either generate a proof list of the billing transactions or to generate the actual billing transactions.
- **Exclude/Include Fields** — provides the ability to identify specific grants and projects to exclude from the proof lists (P) or billings (G) or, conversely, to specifically include grants and projects whose billing dates are not included in the bill cycle selections entered.

The use of this profile is only required if the billing detail reports are needed for grants not scheduled for billing at period end. A number of other reports are available for grant-related expenditure and revenue information through the standard report request process described in the R★STARS Data Entry Guide, Chapter 11, "Reporting." In most cases, these other requestable reports meet normal information requirements for supporting grant claims.

Subgrantee Control Profile (Not used in Michigan)

The 31 Subgrantee Control profile defines the subgrantee ID, the associated name and address, contact and phone number, subgrantee type, grant number and phase, and agency code 1 for grant reporting purposes.

Grant Financial Table

The Grant Financial Table contains the financial amounts used by the Grant Billing Subsystem to calculate the amounts to be billed, by core R★STARS to control expendable budgets and by users for on-line inquiry. Example balance types contained in this profile include:

- **11 — Estimated Revenues**
- **12 — Cash Revenues**
- **14 — Accrued Revenues**
- **15 — Cash Expenditures**
- **16 — Cash Reserved for Payroll**
- **17 — Accrued Expenditures** — the amount of accrued expenditures.
- **18 — Encumbrances Outstanding** — the amount of outstanding encumbrances.
- **19 — Pre-encumbrances Outstanding**
- **20 — Units Accumulated**
- **21 — Cash Transfers Out**
- **22 — Cost Allocation Memo Expenditures**
- **25 — Billable Budget** — specifies the maximum amount to be billed. To generate transactions for Billing Methods “3,” “4,” or “6” this amount must be entered. If this amount is blank, a zero budget is assumed by the system.
- **26 — Expendable Budget** — specifies the total expenditures to be charged to a grant. The expendable budget is examined when transactions are posted to ensure an available budget exists.

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- 27 — Advances Made
- 28 — Amount Billed
- 29 — Units Budgeted
- 30 — Units Accumulated

The financial amounts in the Grant Financial Table may be reviewed or reported on many different time frames. This enables flexible reporting to meet a variety of different needs.

13.2 ESTABLISHING A GRANT

To utilize the grant accounting capabilities of R★STARS, the following steps must be performed to set up the grant in the system:

- 1. Determine the Grant Type** — this systemwide profile defines the grant type and associated title, effective start date and effective end date.
- 2. Determine the Grant Category** — this systemwide profile defines the grant category and the associated title used for grant reporting purposes. It is a required element for federal grants and optional for all others.
- 3. Establish the Grantor Profile** — this profile defines the grantor ID.
- 4. Establish the Grant Number Profile** — this profile provides a title for the grant number.
- 5. Establish Agency Code 1 Profile** — this profile provides a title for the task level of grant reporting.
- 6. Establish the Grant Control Profile** — this profile defines the cost accumulation and billing methods to be used among other things.
- 7. Establish the Grant Object Profile** — this profile may be required to report expenditures according to the grantor's coding structure.
- 8. Record Grant Budgets** — if desired.

Establish the Grant Number Profile

The Grant Number profile provides a title for the grant number in the system which is used for reporting purposes. (The title or description of the grant phase is recorded in the Grant Control profile, described in the previous section. The title or description of the grant task level is recorded in the D26 Agency Code 1 profile.)

Establish the Agency Code 1 Profile

If the task level is going to be used to budget and report grant activity, the agency code 1 record and its associated title need to be established before Grant Control profile records are created.

Establish the Grant Control Profile

The Grant Control profile is required to establish valid cost accumulations and billing processes in the system prior to recording expenditure, revenue or budget transactions. The title of the grant phase is recorded in this profile.

Establish the Grant Object Profile

The Grant Object profile, which provides the ability to generate expenditure reports by unique grant object classifications, is an optional profile. It is not required to utilize the other accounting and billing capabilities of the system.

Record Grant Budgets

When grant expendable or billable budgets are utilized, the budgets must be entered as standard financial transactions using the on-line data entry capabilities (or key to disk if available) of R★STARS. These budgets are entered using transaction codes established specifically for this purpose. Billable and expendable budgets require two separate transactions.

Once the grant budgets are established, they may be adjusted (increased or decreased) at any time by entering adjustment transactions into the system in the same manner as the original budgets were entered. Normally, decrease adjustments are entered with the reverse code set to "R."

Expendable and billable budgets must be recorded at the level of the Expenditure Posting Level Indicator in the Grant Control profile. Users must take care to be sure that these levels are consistent.

Project/Grant Effective End Dates

If you are using the project and/or grant profiles, it is important NOT to have an effective end date that is before the date that ALL recorded and generated transactions have posted. This includes all system generated liquidation and redemption transactions. Failure to adjust effective end dates to the last date that a transaction is posted will result in errors. Adjustment of effective end dates includes removing the effective end date on the profile(s) or extending them.

13.3 MONITORING GRANT EXPENDITURES

Encumbrance and expenditure transactions which are grant related are recorded in the Grant Financial Table. Statistical transactions (such as labor hours or machine units) may also be recorded in the Grant Financial Table. Encumbrance and expenditure transactions may be controlled against available grant expendable budgets and/or available cash balances. This section describes recording and controlling encumbrance and expenditure transactions and recording statistical transactions.

Recording Grant Expenditures

Expenditure transactions which are associated with a grant are entered with a grant number, phase and agency code 1 or with another element (Index, PCA or Project/Phase) which looks-up the grant number/phase/agency code 1. Expenditure transactions may be entered as payroll voucher transactions for labor costs or as payment voucher transactions. Encumbrance transactions may also be entered with a grant number/phase/agency code 1 to record the encumbrance against a grant expendable budget.

Controlling Expenditures and Encumbrances

R★STARS provides the options to control expenditures and encumbrances against expendable budgets or available cash balances. Either or both of these options may be selected on a phase-by-phase basis or at the agency code 1 level.

Encumbrance and expenditure transactions are controlled against the grant expendable budget if this option is chosen. If the Grant Control Type Indicator in the Grant Control profile is set to "1," encumbrance and expenditure transactions which exceed the expendable budget will be flagged in error. If set to "2," these transactions will post to the financial tables (including the Grant Table) and a warning message will be issued. If set to "0," these transactions will post to the financial tables and not be flagged by any error.

Record Statistics

Statistical units, such as labor hours, machine hours, miles and so on, may be recorded against grants as statistical transactions through the normal data entry process. Statistical units must be recorded if the billing method selected calculates billings by applying a rate to the units accumulated against the grant. For example, if the Billing Method is "1," Standard Rate Per Unit, billings will only be generated if units are recorded in the Grant Financial Table. Statistical units may also be recorded on an optional basis when other billing methods are selected, in which case the units will be reported for informational purposes only.

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To record statistical units the standard data entry procedure is followed. These transactions are entered using special statistics transaction codes. The units are accumulated in the Grant Financial Table for billing and/or reporting purposes.

13.4 MONITORING GRANT REVENUES AND RECEIPTS

Grant-related revenues and receipts are entered into R★STARS with the Grant Number/Phase/Agency Code 1 entered or looked-up on the financial transactions. Recording revenues and receipts against grants is optional for most grants. However, recording this information improves the value of the reports generated from the Grant Financial Table. Billing transactions which record accounts receivable may be limited to the billable budget if this option is selected.

This section describes the recording of revenue transactions and the controlling of revenue against billable budgets.

Recording Grant Revenues and Receipts

Revenue transactions are not automatically posted for grants. Instead, the transactions are reported on billing detail reports and should be reviewed and entered manually into R★STARS through the standard financial data entry procedure whenever invoices or claims are submitted to the grantor. If these accounts receivable transactions are not entered, subsequent reports will be misleading because the previously accrued revenue will not be displayed or accounted for in the system.

It is also important to record cash receipt transactions with the related Grant Number/Phase/Agency Code 1 to ensure that the receipt is recorded in the Grant Financial Table. If both accounts receivable and cash receipts are recorded against grants, the grants will be fully accounted for in the system.

Controlling Billable Budgets

Recovery transactions may be limited to the billable budget amount if certain billing methods are chosen. The Grant Billing Subsystem calculates the total grant-to-date expenditures, deducts previously billed amounts and compares the result to the billable budget. The billing is then calculated for an amount up to the billable budget amount.

Users should monitor billable budgets to ensure that they are reasonable and that the appropriate amount of billing transactions are being reported.

13.5 ACCOUNTING FOR SUBGRANTS

(Not used in Michigan)

Other R★STARS features will provide for this function. Agencies will create external organizations in their organization structures to account for transactions and reporting requirements with regard to pass-through recipients.

Subgrantee financial activity may be recorded in R★STARS through the use of the Subgrantee profile and special transaction codes. To utilize this option, the following steps are required:

- Establish the Subgrantee Profile.
- Record Financial Activity.

Each of these steps are described in this section.

Establishing Subgrantee Profile

Subgrantees are identified in R★STARS through the use of a Subgrantee Number established in the Subgrantee Control profile. For example, a grant for Community Education which has three subgrantees would require the following codes to be established:

Established grant #: G 123456-97
(Grant # and Phase #)

The following are subgrantees established in the Subgrantee profile to look up the above grant/phase for Community Education:

Subgrantees: 11112222333333
 22224444666666
 77778888999999

Other elements included on the Subgrantee Profile include: agency, name, address contract, phone number, subgrantee type (examples - Federal, state, private), and effective start and end dates.

To establish the subgrantee profile for the subgrantees, refer to the R★STARS Data Entry Guide chapter on Grant Accounting. The subgrantee may be set up with the Look-Up to a Grant Number/Phase/Agency Code 1.

Recording Financial Activity

The financial activity related to subgrant accounting is maintained in the General Ledger Financial Table. Some examples of subgrantee balances include: Subgrantee budget, subgrantee reimbursable budget, subgrantee expenditures, subgrantee reimbursable expenditures, advances, and refunds.

Each of these balance types of activity may be entered using transaction codes designed for the specific purposes.

Once this information is recorded in the system, special reports may be requested to display budgets, disbursements and subgrant expenditures. These reports are described in the R★STARS Data Entry Guide.

13.6 GRANT BILLING

Once grants are established in the system profiles and expenditure transactions are recorded against the grants, the Grant/Project Billing Subsystem may be utilized to generate or report recovery transactions. The following steps are required:

- Define the recovery transactions.
- Request billing detail reports.

These steps are described below.

Defining Billing Transactions

The Grant Control profile contains billing information which is used to report billing transactions.

- **Billing Information** — these elements define if, how and when the grant will be billed. The Billing Method, Billing Cycle and schedule dates are included, along with a Range and Rate which are required for certain Billing Methods. Billing computations may be based on soft match, in kind, or memo entries.
- **Recovery Segment** — the elements in this segment define the recovery transaction which is printed on the billing detail report. Included are the transaction code and classification elements used to record accounts receivable transactions.

Requesting Grant Billing

Some grant billing may be scheduled to occur automatically at period end. However, grants may also be scheduled for billing on specific dates, each month, each quarter and on other unique cycles. For grants which are not scheduled for automatic period-end billing, users must “request” the billing to occur through the use of the Grant/Project Billing Request profile. This profile is used to request billing detail reports for both grants and projects.

13.7 GRANT REPORTING

R★STARS provides on-line inquiry and hard copy reports which are useful in monitoring grant-related financial information. This section describes the on-line inquiries and reports.

On-Line Inquiries

The on-line inquiry capabilities of R★STARS provide two inquiry screens which are directly related to grant accounting. The record inquiry displays information in a profile posting format. The inquiry is shown at the levels defined by the expenditure and revenue level posting indicators in the Grant Control profile. Therefore, it is important to set these indicators at the level desired for on-line inquiry, unless grant budget levels will conflict with this requirement. The primary source of on-line financial information for grants is available through the 66 Grant Record Inquiry screen. The key to this screen is agency, project, phase, agency code 1, appropriated fund, fund and comptroller/agency object. The level of information maintained in this table is defined in the Grant Control Profile indicators. The 67 Grant Transaction Inquiry screen reads the Accounting Event Table. This inquiry screen provides transaction information for an agency with regard to particular projects and balance types.

The Subgrantee profile may also be viewed on-line for information on subgrantees.

Standard Reports

The reporting capabilities in R★STARS are an important feature in the grant accounting and billing area. Grant-related reports may be used to monitor expenditures, revenues and budgets, and to support claims prepared for grantors. Grant reports are available with a number of different sorts to enable review of financial information by various classifications. In addition, profile listing reports may be generated to display the contents of such profiles as the Grant Control profile and Grant/Project Billing Request profile.

13.8 CMIA PROCESSING

The 1990 Cash Management Improvement Act (CMIA) is related to the methods used by the Treasury Department to disburse federal assistance funds to the state. CMIA affects final approved expenditures charged to a grant which has an automatic billing method and whose D40 Grant Category (CFDA) is subject to CMIA. The CMIA process determines the due date, which is the date the State Treasurer can draw down funds without incurring interest liabilities, and sets up a receivable for the money owed to the State by the Federal Government.

The DAFR7870 Letter of Credit Drawdown Report can be generated that lists the outstanding accounts receivable documents for which receipts have not been posted. This report will be used to review past due receivables and to prepare Letter Of Credit (LOC) requests. Note: The above report will also include final approved expenditures charged to a grant which have an automatic billing method, but whose grant categories are not subject to CMIA processing.

A detailed explanation of CMIA processing can be found in Section 14-7 of the R★STARS Data Entry Guide.